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THE HOG SITUATION

Summary

Slaughter supplies of hogs during the coming fall and winter marketing season, October 1937 through April 1938, are expected by the Bureau of Agricultural Economics to be somewhat smaller than those of a year earlier. With prospects for a somewhat smaller tonnage of hogs for market and for the maintenance of a fairly high level of consumer demand for meats, hog prices this fall and winter probably will average at least as high as a year earlier. In the fall and winter of 1936-37, the average price of hogs at Chicago was about \$9.90.

Most of the reduction from last year in the supplies for the fall and winter season probably will occur in the first 3 months (October - December). Although supplies in this period will be considerably smaller than a year earlier, they will be seasonally larger than the small supplies of the past 3 months (July - September 1937). It is probable that hog prices will experience about the usual seasonal decline during the coming fall and early winter.

It now appears fairly certain that the 1937 corn crop will be much larger than that of 1936 and about the same as the 1928-32 average. With lower corn prices and a relatively high level of hog prices in prospect, the hog-corn price ratio in 1937-38 will be very favorable for hog feeding and hog production. It is expected that weights of hogs marketed in 1937-38 will be considerably heavier than in 1936-37. The larger supplies of corn and the favorable relationship between hog prices and corn prices also are expected to result in a materially larger spring pig crop in 1938 than in 1937.

Following the marked advance in hog prices from mid-June to early August, prices declined sharply in the last half of August and early September. This decline in prices was brought about largely by a considerable increase in hog marketings in the last half of August, a large out-of-storage movement of hog products during the month, and relatively high temperatures over most of the country, which temporarily weakened the demand for pork. About mid-September, hog prices again advanced sharply, recovering a large part of the loss of the 3 preceding weeks.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND - The movement of hog prices thus far in the current marketing year has been rather unusual. Prices rose from late November to early January instead of declining as they usually do during that period of the year. From February to early April prices remained fairly steady whereas in most years some advance occurs in the spring months. In May, hog marketings were sharply reduced and prices advanced, while ordinarily supplies increase during May and June and prices decline. A further sharp rise occurred in July and early August, which carried prices to the highest level in 11 years. Because of the reduction in feed supplies brought about by the 1936 drought, corn prices have been high in relation to hog prices in most of the present marketing year. Chiefly because of the short supplies and high prices of feed grains, the 1937 spring pig crop was 7 percent smaller than that of 1936.

Prices decline sharply in late August

After reaching the highest level since 1926 during the second week of August, hog prices declined sharply in the last half of that month and in early September. In early August the top price of hogs at Chicago reached \$13.75, but by early September the Chicago top was about \$2 lower than a month earlier. The decline in prices apparently was brought about largely by an increase of hog marketings after mid-August, a continued large out-of-storage movement of pork and lard and unusually high temperatures over most of the country in late August, which temporarily weakened the demand for pork. During the second full week of September, hog prices again advanced recovering a considerable part of the decline of the 3 preceding weeks. This rise in prices was caused chiefly by a reduction in hog marketings and by cooler weather over wide areas.

Inspected hog slaughter in August, totaling 1,590,000 head, was slightly smaller than in July and was the smallest for the month since 1902. Weekly slaughter supplies of hogs decreased almost steadily from late April to early August, the reduction amounting to about 50 percent during the period. This decrease in supplies was accompanied by a rise of about \$3 per 100 pounds in the price of butcher hogs (barrows and gilts). After reaching a record low level during the first week of August, weekly supplies of hogs increased more than 30 percent during the remainder of the month. From early August to early September prices of butcher hogs declined about \$1.50 per 100 pounds. A considerable part of the increase in supplies in the last half of August was due to the increased marketings of 1937 spring pigs, which were generally light in weight. Market reports indicate such hogs were of poor quality and that dressing yields were relatively low.

Stocks of pork and lard reduced

Storage stocks of hog products were reduced further during August. On September 1 total stocks of pork were 21 percent smaller than on August 1 and were the second smallest for September 1 on record. The decrease in pork stocks during August was somewhat greater than usual. Stocks of lard on September 1 also were materially smaller than on August 1, the reduction amounting to 24 percent. The decrease in lard stocks during August also was greater than average.

Storage holdings of pork and lard on September 1, average
1930-34, and 1935-37 and August 1, 1937

Item	: Sept. 1 : average : 1930-34	: Sept. 1 : 1935	: Sept. 1 : 1936	: Aug. 1 : 1937	: Sept. 1 : 1937 <u>1/</u>
	: 1,000	1,000	1,000	1,000	1,000
	: pounds	pounds	pounds	pounds	pounds
Pork:	:				
Frozen	144,306	65,689	91,883	143,668	92,436
Dry salt, cured and	:				
in process of cure	113,639	54,084	87,459	74,645	65,237
Pickled, cured and	:				
in process of cure	346,773	205,476	241,506	248,960	212,846
Total.....	604,722	325,249	420,848	467,273	370,519
Lard	135,425	53,537	110,561	156,959	118,756
	:				
	:				

1/ Preliminary.

The situation with respect to storage stocks of hog products has changed materially since last spring. During the winter months the increase in storage holdings was considerably greater than usual, and at the beginning of March stocks of pork were more than 70 percent, or about 300 million pounds, larger than a year earlier. Lard stocks on March 1 were about twice as large as those of a year earlier. The increase in storage stocks of hog products on March 1, 1937, over a year earlier was equivalent to the products obtainable from about 2,300,000 hogs of average market weight.

With hog slaughter from September to April unusually small, stocks of pork and lard have been reduced sharply. The decrease in stocks of pork during this period was considerably greater than average. At the beginning of September, stocks of pork were about 50 million pounds smaller than the relatively small stocks on September 1 last year. Stocks of lard on September 1 were only about 8 million pounds larger than a year earlier, whereas on April 1 they were much larger than average. It now appears probable that the stocks of pork at the beginning of the new storage season, November 1, will be about the smallest of record, probably only slightly larger than the record small stocks of November 1, 1935.

Prices of hog products weaken in late August

Wholesale prices of fresh pork advanced considerably in late July and in the first half of August, but there was a rather sharp decline during late August and early September. Prices of cured pork, however, were steady to higher during August. Wholesale prices of lard weakened during the month, chiefly because of the prospects for a large supply of cottonseed oil to become available from this year's cotton crop. Prices of most cuts of fresh and cured pork in August averaged higher than for several years, but lard prices were about the same as a year earlier and were considerably lower than in the summer of 1935.

Feeding situation improves

Although the hog-corn price ratio in July and August was higher than for several months and consequently more favorable for hog feeding, the available supply of corn for feeding in most of the Corn Belt was very small. By early September, however, new crop corn became available for feeding in some areas. The extreme scarcity of corn up to September probably accounted in part for the early marketing of some spring pigs. With large quantities of new crop corn becoming available for feeding in the next 2 months, there probably will be a tendency to hold spring pigs for further feeding.

Market prices of cash corn declined during July and August as prospects for a corn crop much larger than that of last year became fairly certain. This decline in corn prices was accompanied by a considerable advance in hog prices, hence the ratio between the market prices of hogs and corn increased during this period. The ratio based on Chicago prices in the second week of August was about 11.5 compared with about 9 a month earlier and the long-time average of about 11.4. The decline in hog prices in late August and early September was relatively greater than the decline in corn prices, and this resulted in a slight drop in the ratio.

According to the September 1 crop report, the indicated production of corn for 1937 is about 2,549,000 bushels. This figure is about the same as the 1928-32 average but a billion bushels larger than the small crop last year. On the basis of production indicated by the September 1 report, the crop this year will be the largest since 1932. In the Eastern Corn Belt, production will be above average but in the Western Corn Belt, it will be somewhat below average. The accompanying table shows the indicated production of corn for 1937 and estimates for earlier years for the Corn Belt States and for the United States.

Production of corn in the North Central States and United States,
average 1928-32, annual 1933-37

State and geographic division	Average 1928-32	1933	1934	1935	1936	1937 ^{1/}
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
Ohio	129,257	125,154	106,144	160,556	121,605	158,193
Ind.	155,968	129,859	109,647	162,260	115,413	186,480
Ill.	336,738	238,545	167,808	318,510	217,751	406,393
Mich.	39,171	46,841	35,730	60,846	36,750	59,940
Wis.	69,926	81,760	77,169	81,430	44,080	79,266
East North: Central....	731,060	622,159	496,498	783,602	535,599	890,272
Minn.	143,136	142,957	95,160	148,962	88,331	172,368
Iowa	438,792	459,720	233,950	373,388	212,240	457,994
Mo.	146,489	141,446	32,012	72,890	40,032	124,308
N. Dak.	18,522	20,855	7,160	22,838	2,530	17,264
S. Dak.	78,447	41,054	13,730	50,044	8,446	48,902
Nebr.	223,843	234,698	21,363	106,630	26,859	74,358
Kans.	126,756	80,431	13,220	39,420	11,036	35,508
West North: Central....	1,175,965	1,120,961	416,595	814,172	389,474	930,702
Total North: Central....	1,907,045	1,743,120	913,093	1,597,774	925,073	1,820,974
United States	2,554,772	2,396,525	1,478,027	2,296,669	1,529,327	2,549,281

^{1/} Indicated production for 1937 given in September 1 Crop Report.

Exports of hog products continue at low levels

Exports of lard in July, totaling 7.8 million pounds, were slightly smaller than in June, but they were larger than in July a year earlier. Total lard exports thus far in the 1936-37 marketing year, October through July, amounting to about 88 million pounds, were about the same as in the corresponding months of 1935-36, but were materially smaller than for any other recent year. Exports of lard to Cuba thus far in 1936-37 have been larger than for several years, but shipments of lard to the United Kingdom and to other countries have been the smallest in many years.

Exports of pork in July, totaling 5.4 million pounds, were slightly larger than in June, but were considerably smaller than in July last year. In the first 10 months of the present marketing year, pork exports amounted to about 51 million pounds compared with 59 million in the corresponding period last year. In the past 2 years, exports of pork have been materially smaller than in all other recent years. The decrease in exports of both pork and lard since 1934 reflects chiefly the marked reduction in hog supplies and the rise in prices of hogs and hog products in this country.

Pork imports increase in July

Imports of pork in July, totaling about 7.6 million pounds, were slightly larger than in June and were the largest for any month of record. As in most other months of the present marketing year, pork imports in July were somewhat larger than pork exports. Imports of hams and bacon in July were somewhat smaller than in June, but imports of fresh pork were considerably larger than in the preceding month and were largest for any month thus far in 1936-37. Although imports of pork have increased materially in the last year, the increase was from a very low level, and total imports are still very small in relation to domestic production of hogs. In the first 10 months of the present marketing year, October 1936 through July 1937, the combined imports of pork and live hogs were roughly equivalent to the products obtainable from about 600,000 hogs of average market weight. Hog slaughter under Federal inspection from October through July totaled 30,521,000 head.

OUTLOOK

BACKGROUND - In the July and August issues of this report the following indications were given with respect to prospects for slaughter supplies and numbers of hogs in 1937-38:

(1) The number of hogs to be marketed in the coming winter marketing season, October 1937 through April 1938, will be somewhat smaller than that of the corresponding period of 1936-37.

(2) Average weights of hogs marketed in 1937-38 are expected to be somewhat heavier than in the present year and perhaps heavier than average.

(3) With much larger supplies of feed in prospect for 1937-38 than in 1936-37, and with hogs being fed to heavier weights, it is expected that the seasonal distribution of hog marketings in 1937-38 will be much different from that of the year ending September 30, 1937. Slaughter during the first 3 months, October through December, will comprise a relatively small proportion of the yearly total and also of the total for the first half of the year.

(4) With prospects for a somewhat smaller tonnage of hogs to be marketed in the fall and winter of 1937-38 than a year earlier, and for the maintenance of a fairly high level of consumer demand, hog prices in this period probably will average as high as and perhaps higher than in 1936-37.

Although it is expected that market supplies of hogs in the first 3 months of the next marketing year (October through December) will represent a smaller than average proportion of the 1937-38 yearly total, marketings in this period will be seasonally larger than the unusually small marketings during the past 3 months (July - September 1937). Marketings of spring pigs undoubtedly will be delayed by many farmers since larger corn supplies with relatively high hog prices will encourage the feeding of hogs to heavier weights. Nevertheless, a considerable number of these spring pigs will be marketed in the early months of the new marketing year which begins October 1. Marketings during this period probably also will include some hogs from last year's fall pig crop which have been carried on pasture during the summer and will be finished on new crop corn this fall. Because of the unusually small slaughter in the past 3 months, it is possible that the seasonal increase in hog marketings from September to December will be relatively greater than usual 1/.

1/ This indication of the seasonal increase in slaughter supplies of hogs supersedes that given in the August issue of the Hog Situation, in which it was stated that the seasonal increase from October through December might be less than usual.

Marketings of hogs from January through March 1938 are likely to be somewhat larger than those in the October to December period. Supplies during these two periods usually are not greatly different. Feeding of hogs to heavier weights this year, however, will result in a larger than usual proportion of the spring pig crop being marketed after the end of December. Hog marketings in the late winter and early spring of 1938, however, will include a smaller number and proportion of fall pigs and packing sows than was the case in the corresponding period of 1937.

It is also probable that the storage demand for hog products in the late fall and winter will not be so strong as it was in the corresponding period of 1936-37. In late 1936 there was a strong demand for hog products for storage because of the prospects that there would be a material decrease in slaughter supplies of hogs and a considerable advance in prices of hog products during the remainder of the 1936-37 marketing year. In the 1937-38 marketing year, however, it is likely that supplies of hogs after December will be larger than they were in the corresponding period of 1936-37. Consequently, during the coming winter months, hog prices are not likely to be supported by as strong a demand for hog products for storage as was the case last winter.

A seasonal decline in hog prices during the coming fall and early winter of at least average proportions appears probable as slaughter supplies of hogs are increased. If marketings are delayed to the extent that now appears likely, the seasonal reduction in slaughter supplies of hogs in the late winter may occur later than usual and may be less than average. In this event, a smaller than average seasonal advance in hog prices after January 1938 is to be expected.

With a larger than average corn crop fairly certain in the Eastern Corn Belt and in Iowa and Minnesota and a considerably larger crop than last year in all of the Corn Belt States, supplies of corn will be much more plentiful than for several years, and prices of corn will be much lower than in 1936-37. The hog-corn price ratio during the first 8 or 9 months of 1937-38, at least, will be relatively favorable for hog production. It is probable, therefore, that the 1938 spring pig crop will be considerably larger than that of 1937.

A succession of several average or near-average corn crops in the next few years would result in a marked increase in hog production from the present low level. But even with plentiful feed supplies, hog slaughter probably will not reach the average for the 5 years preceding the 1934 drought before 1940 or 1941.

Suppliss of hogs and hog products, specified periods

Item	Unit	Oct.-Sept.					Oct.-July		
		Average:							
		July	June	July	1928-29	1934-1935	1935-1936	1936-	
		1936	1937	1937	to	35	36	36	37
					1932-33				
Inspected slaughter <u>1/</u>	thou- sands	2,692	2,110	1,643	46,363	30,680	31,022	26,365	30,520
Live weight:									
Average	pound	247	236	246	231	220	232	232	219
Total	mil.lb.	664	498	403	10,723	6,742	7,191	6,110	6,687
Dressed weight:									
Average	pound	186	175	181	175	164	175	175	163
Total	mil.lb.	498	369	297	8,069	5,012	5,402	4,603	4,971
Yield of lard per 100 pounds live weight of hogs....	pound	12.5	10.5	10.4	15.2	11.6	12.1	12.2	11.2
Production of lard	mil.lb.	83	52	42	1,630	790	870	746	755
Apparent consumption:									
Pork, incl. lard	mil.lb.	467	457	429	7,171	5,102	5,124	4,246	4,728
Lard	mil.lb.	65	53	62	961	730	712	587	610
Exports <u>2/</u> :									
Pork	mil.lb.	9	5	5	211	104	69	59	51
Lard	mil.lb.	8	8	8	657	142	101	87	88
Imports of pork <u>2/</u> :	mil.lb.	3	8	8	6	7	32	25	59
Proportion of sows in inspected slaughter <u>3/</u>	percent	63.8	56.4	61.0	51.2	51.3	52.0	50.0	50.4

1/ Bureau of Animal Industry.2/ United States Department of Commerce. Pork includes bacon, hams and shoulders, and fresh, canned and pickled pork. Lard includes neutral lard.3/ Includes gilts.

Prices of hogs and hog products, specified periods

Item	Unit					Oct.-Sept.			Oct.-Aug.	
						Average:				
		Aug.	July	Aug.	1928-29	1934-	1935-	1935-	1936-	
		1936	1937	1937	to	35	36	36	37	
					1932-33:					
Average price:	dolls.per:									
Seven markets	:100 lb.	: 9.84	11.37	11.53	1/	8.18	9.64	9.64	10.20	
Chicago	" "	:10.06	11.57	11.77	6.99	8.42	9.90	9.90	10.41	
U.S. average price	:									
received by farmers:	" "	: 9.89	10.70	11.46	6.48	7.54	9.15	9.10	9.57	
Prices of hog	:									
products, Chicago:	:									
Loins, 8-10 lb.	" "	:23.14	28.66	29.00	17.07	20.08	21.21	20.95	21.90	
Hams, smoked reg.	:									
No. 1, 10-12 lb.	" "	:26.81	26.78	28.00	20.31	21.62	26.58	26.66	24.37	
Bacon, smoked,	:									
No. 1 dry cure,	:									
6-8 lb.	" "	:29.75	29.91	32.62	23.71	28.24	30.86	31.06	28.09	
Lard, refined,	:									
H.W. tubs	" "	:12.81	13.62	13.00	9.68	14.29	12.65	12.66	13.14	
Composite wholesale	:									
price of hog	:									
products, New York	" "	:21.94	22.78	23.95	17.36	20.49	21.93	21.90	21.17	
Average price of	:									
No. 3, Yellow corn,:	cents									
Chicago	:per lb.	: 114	118	104	62	86	74	71	116	
Hog-corn price	:									
ratio 2/:	:									
Chicago	:bushel	: 8.9	9.8	11.3	11.6	9.9	14.1	14.6	9.1	
North Central	:									
States	"	: 9.5	9.5	11.9	12.9	10.0	15.8	16.3	9.2	
Proportion of pack-	:									
ing sows in total	:									
packer and shipper	:									
purchases, seven	:									
markets 3/.....	:percent	:44.0	40.0	36.0	1/	1/	16.0	15.0	14.0	
Average weight at	:									
seven markets	:pound	: 256	261	256	1/	229	241	241	230	

1/ Not available.

2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.

3/ Monthly figures computed from weekly averages.